Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	HB0634		**Title:**	Increase bonding authority of facility finance authority
Primary Sponsor:	Van Dyk, Kendall		**Status:**	Second Reading

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	($20,719)	($78,937)	($137,156)	($195,374)
Net Impact-General Fund Balance	($20,719)	($78,937)	($137,156)	($195,374)

Description of Fiscal Impact:

HB 634 increases the biennial bonding authority for the Montana Facility Finance Authority in the Department of Commerce from $250 million to $500 million. Because the interest on the bonds is not subject to Montana tax, there will be a general fund loss. The additional issuance of $250 million of bonds and notes per biennium could result in additional general fund revenue of $75,000 in bond issuance fees.

FISCAL ANALYSIS

Assumptions:

Department of Administration (DOA)

1. Assume the full $500 million (principal amount) in bonds and notes are issued each biennium.
2. If half the $500 million is issued each year of the biennium the result would be $37,500 of additional revenue from the issuance fee according to 17-5-2201, MCA, fee for issuance of bonds; and 17-5-1312, MCA, allocation to state issuers.

Department of Revenue (DOR)

3. The bill provides an increase of $250 million over the current $250 million allowed by 90-7-302, MCA.
4. It is assumed that 15% of the bonds will be sold in Montana ($250 million x .15% = $37.5 million).
5. Over a 20-year period, the bond rate is assumed to be 4.5% per year. Therefore, interest paid to Montana bond holders would be $1.6875 million. ($37.5 million x 4.5% = $1.6875 million).

6. If the marginal tax rate of 6.9% were applied to the $1.6875 million, the taxes that would be paid on the interest for these bonds-if they were not tax-exempt-would be $116,437 annually on the full $250 million increase. Since, these are tax exempt bonds this amount would be considered a general fund loss.
7. If half of the $250 million increase in bonds was issued each year of the biennium, than half of the $116,437 loss would be realized in FY 2008 and the full amount in FY 2009. Again in the 2011 biennium, if have were issued in the first year the cumulative loss would be $174,656 in FY 2010 and $232,874 in FY 2011.

Department of Commerce (DOC)

8. The Facility Finance Authority (FFA) issues private activity bonds to the eligible facilities listed in 90-7-104, MCA. However the FFA acts as the conduit issuer for these types of bonds and any and all costs incurred are paid by the borrower (private entity). There is no fiscal impact to the FFA or the Department of Commerce.

	FY 2008 Difference	**FY 2009 Difference**	**FY 2010 Difference**	**FY 2011 Difference**
Fiscal Impact:				
Department of Administration				
Revenues				
General Fund (01)	$37,500	$37,500	$37,500	$37,500
Department of Revenue				
Revenues:				
General Fund (01)	($58,219)	($116,437)	($174,656)	($232,874)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($20,719)	($78,937)	($137,156)	($195,374)

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*